

**ORIGINAL**

Decision No. 67823

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of VILLAGE WATER COMPANY for an order authorizing the issuance by it of 22,000 shares of its common stock.

Application No. 46869  
Filed July 31, 1964

O P I N I O N

In this application, Village Water Company requests an order of the Commission authorizing it (1) to issue 22,000 shares of common stock having an aggregate par value of \$550,000, and (2) to issue a \$108,000 note for the purpose of evidencing an indebtedness of like amount for which notes were previously issued, through inadvertence, without Commission authority.

Applicant is a California corporation engaged in business as a public utility providing water service to consumers located in southern Ventura County. Its 1963 annual report to the Commission shows gross operating revenues of \$168,293 and a net loss of \$43,277 for the year, and 1,275 active service connections, exclusive of private fire connections and public fire hydrants, at December 31, 1963. The balance sheet, attached to the application as Exhibit B, indicates that as of March 31, 1964, the company's assets totaled \$2,501,482 and that its capitalization, excluding \$144,166 for contributions in aid of construction, as recorded and as adjusted to give effect to the proposed financing is as follows:

	<u>March 31, 1964</u>		<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Demand notes payable to affiliated companies	\$ 966,000	43%	\$ 765,957	35%
Miscellaneous long-term debt	378,159	17	28,202	1
Advances for construction	375,720	17	375,720	17
Common stock equity	<u>501,474</u>	<u>23</u>	<u>1,051,474</u>	<u>47</u>
Total	<u>\$2,221,353</u>	<u>100%</u>	<u>\$2,221,353</u>	<u>100%</u>

The application shows that the company's Articles of Incorporation authorize 40,000 shares of capital stock, of which 23,121 shares are outstanding; that applicant is currently conducting a program of financial planning which includes an increase in its authorized capital stock; and that the basic objective of this proceeding is to strengthen the corporation's equity position. The utility alleges that a stronger common stock equity would enable it to negotiate successfully for future borrowings from financial institutions and would permit it to execute additional main extension advance contracts.

Applicant proposes to issue 22,000 shares of common stock having an aggregate par value of \$550,000 in exchange for outstanding indebtedness owed to affiliates and generally classified in the application as follows:

(a)	Miscellaneous long-term debt - Assumed upon acquisition of water systems from affiliated interests pursuant to Commission Decision No. 62583, dated September 19, 1961, in Application No. 42911.	\$349,957.17
(b)	Demand notes and open account indebtedness - Borrowings used for general corporate purposes.	92,042.83
(c)	Renewed short-term notes - Proceeds utilized for plant additions.	108,000.00
	Total	<u>\$550,000.00</u>

The Commission has considered this matter and finds that:

(1) the proposed stock issue is for a proper purpose; (2) applicant plans to use a portion of its proposed stock issue to liquidate the indebtedness for which it seeks authority to issue a \$108,000 note; (3) applicant's Articles of Incorporation do not permit the issue of the total amount of stock involved in this proceeding; (4) the money, property or labor to be procured or paid for by the issue of stock herein authorized is reasonably required for the purpose specified herein; and (5) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be (a) dismissed with respect to the \$108,000 proposed note issue and (b) granted in all other respects, subject to the filing of an appropriate amendment to applicant's Articles of Incorporation. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

ORDER

IT IS ORDERED that:

1. Village Water Company, on or after the effective date hereof and on or before December 31, 1964, may issue not to exceed 22,000 shares of its common stock having an aggregate par value of \$550,000 in exchange for a like amount of outstanding indebtedness as set forth in the application.

2. Village Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This application, insofar as it seeks authority to issue a \$108,000 note, is dismissed.

4. This order shall become effective when Village Water Company has filed with the Commission a certified copy of an Amendment of its Articles of Incorporation authorizing the issuance of at least 45,121 shares of \$25 par value common stock.

Dated at San Francisco, California, this 15<sup>th</sup> day of SEPTEMBER, 1964.

Fredrick B. Hallock  
President

[Signature]

[Signature]

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Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.